

AIM high-level feedback on EC call for evidence for an EU initiative on virtual worlds

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[AIM](#), the European Brands Association, welcomes the opportunity given to provide feedback on the European Commission's call for evidence with a view to informing its forthcoming non-legislative initiative on virtual worlds set to be presented in June. We strongly support the European Commission's objective to ensure open, interoperable, and innovative virtual worlds that can be used safely and with confidence by citizens and businesses alike.

Brands play a key role in the development of virtual worlds

Brands are already present in virtual worlds, including gaming and interconnected play, social, and productivity focused virtual world platforms. Brand participation also includes licensed virtual products limited to platform-specific use by consumers. Brands are uniquely positioned to increase engagement and reach new consumer audiences in virtual worlds because of consumer recognition and confidence in them, particularly well-known trusted brands.

As part of this participation, brands are also beginning to explore new technology tools such as virtual and augmented reality and Web 3.0 to offer immersive consumer experiences and create inclusive communities. Some brands have created their own virtual spaces within these virtual worlds centred entirely around their own identity and products, while others have set up digital stores, or hosted digital events. Traditional Web 2.0 "walled-garden" virtual worlds (e.g., Roblox, Meta's Horizon Worlds/Venues/Workrooms, VRChat, & RecRoom) still dominate, but blockchain-technology based virtual worlds (e.g., Sandbox, Decentraland, & OnCyber) where users can "own" virtual property and bring in licensed digital content associated with NFTs are gaining consumer interest.

Brands have a keen interest in the further development of virtual worlds, including the possibility of interoperability between them utilising NFTs (via blockchain technology) because of the potential to offer unique consumer experiences, test new products among their communities of fans, strengthen consumer loyalty to the brand and generate revenue.

Virtual worlds should be open and interoperable

AIM shares the Commission's concern of seeing the virtual world ecosystem being dominated by a few big players that would set de facto standards as forerunners, create market entry barriers, and continue to be the "gatekeepers" of virtual worlds, as was the case for Internet searches, e-commerce, or advertising in the past. Open standards and increased data portability should be promoted to increase interoperability between virtual worlds, which ultimately can enable a true cross-platform metaverse. Brands remain committed to expanding fair access for all.



NFTs launched by brands are used for authentication and association

The majority of NFTs minted by consumer brands should not be observed as securities. It is important to stress that NFTs are unique digital identifiers (like a digital signature) recorded on a blockchain that can be used for authentication (i.e., to verify who minted it) and association (e.g., associated with license right to digital content like collectibles, art pieces, music or avatar wearables). While the NFT (the token/digital signature itself) is owned, the digital content associated with the NFT is material protected by intellectual property that is licensed to the NFT owner. The terms of the license define the rights granted to the NFT owner and can also define other associated services and/or utility that can come with owning the NFT (e.g., access to events or virtual worlds, access to download 3D files, access to physical items, etc).

In other words, NFTs can be tradeable licenses (from brands) pertaining to virtual goods, facilitating interoperability of virtual goods between virtual worlds, and enabling token-linked experiences for the NFT owner/licensee. This makes NFTs, in the context of licensed virtual goods, distinct from securities, as they include licensed rights to consumer digital products and/or services, offering utility through use, consumption, and enjoyment.

It would, consequently, be inappropriate to subject such new category of NFTs to financial services regulations such as EU anti-money laundering rules, that are applicable to the trading of securities, as was recently proposed by some EU lawmakers.

Strong IP protection should be ensured and enforced in virtual worlds

It is important to bring clarity on how trade marks, designs and other IP rights will be duly registered, protected and enforced in this virtual landscape, to safeguard both consumers and the integrity of the EU's IP acquis. We are already seeing [well-known brands](#) facing issues related to the unauthorised use of their registered trade marks in the metaverse. It will be essential that these new channels and platforms for content sharing and creation have appropriate mechanisms in place to allow for the enforcement of IP rights ensuring parity with the understanding that what is illegal offline is also illegal online, no matter the type of marketplace, platform or online interaction channel.

As described above, virtual goods are licensed products covered by existing intellectual property rights (such as trade marks and designs). NFTs are the technology backbone (built on blockchain and distributed ledger technology) that can enable consumers to trade such licensed digital content directly between each other, with secondary-sale royalties (i.e., transfer fees) being the license payment for such license rights conveyed.

Closing

The effectiveness of any future EU initiative on virtual worlds will be contingent upon appropriate definitions together with a holistic approach to the entire value chain.

AIM and its members are keen to engage with EU institutions over the coming months to foster an open, fair, and interoperable metaverse, rooted in EU laws and values.

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